



U.S. Department of Justice

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NEWS RELEASE

BOUNTIFUL MAN PLEADS GUILTY TO WIRE FRAUD IN CONNECTION WITH SCHEME TO GET KICK BACK FROM INVESTMENT MANAGER

SALT LAKE CITY – Cameron Hayes Cox, age 28, of Bountiful, pled guilty in federal court Tuesday morning to a charge of wire fraud in connection with a scheme to defraud the Utah Retirement Systems (URS) by soliciting a side deal from an investment manager. Cox is a former employee of URS.

Cox was charged in a one-count Felony Information filed in federal court in Salt Lake City in June. At a sentencing hearing Tuesday afternoon, U.S. District Judge Dale Kimball sentenced Cox to a year in federal prison. Judge Kimball also ordered him to serve 36 months of supervised release when he finishes his prison sentence.

Cox was employed by URS as an investment analyst from around January 2008 to around January 2010. URS is an independent agency established by the State of Utah and is responsible for the operation of

various funds maintained as retirement accounts for active and retired state public employees.

According to court documents, one aspect of URS' operations is the selection of third-party investment companies to serve as investment managers for portions of URS' portfolio. The process of identifying a potential third-party manager, reviewing information, conducting due diligence, negotiating terms, and entering into a formal agreement typically occurs over a period of several months and involves a team of investment analysts, legal counsel, and others. The final step in this process involves a URS committee reviewing a proposed agreement for final approval.

According to the Felony Information, beginning in the spring of 2009, URS was introduced to representatives of a hedge fund based in London. A series of negotiations started between the parties concerning a potential agreement. Cox was a member of the URS team responsible for collecting, reviewing, and analyzing information provided by the company, negotiating terms, and presenting a proposed agreement for consideration by URS. Court records show that negotiations progressed to a point where URS intended to consider a proposed agreement between the parties around November 2009. The proposed agreement, if approved by URS, contemplated the hedge fund would manage approximately \$50 million of URS' portfolio.

Cox admitted in his plea agreement with federal prosecutors that beginning in November 2009 and continuing through January 2010, he communicated with an individual in London using an anonymous identity to negotiate a "side deal" whereby he would be paid \$150,000 by the investment manager to ensure URS approved the proposed agreement between the parties. The individual Cox was communicating with was the point person involved in negotiations with URS.

Under the side deal, the company would agree to pay Cox money to facilitate URS' approval of the company as a third-party fund manager. In truth and in fact, Cox did not have the authority or influence over URS to honor the side deal. Cox concealed all of his communication with the company from URS. Once propositioned, the London investment manager notified URS who notified federal law enforcement officials. Thereafter, hedge fund officials cooperated with the FBI's efforts to conduct a sting operation.

URS officials say that no retirement trust funds were ever at risk during the course of Cox's conduct and that he did not have the ability to take trust funds. Cox also did not have the authority or influence to make the decision on whether to hire an investment manager and the processes in place, which were followed in this situation, would not have allowed the improper hiring of an investment manager.

Law enforcement authorities believe Cox acted alone in this case and that no other URS employees were involved. URS worked closely with the FBI in the investigation of this case.

Federal prosecutors said the investment manager and hedge fund, which are not identified in court records, reported the conduct and cooperated fully in the investigation.

"This prosecution underscores our office's commitment to holding accountable those who abuse their positions of trust. It also demonstrates the strength of effective coordination between potential victims and law enforcement. URS's and the London hedge fund's timely and responsible reporting of unlawful conduct, coupled with the FBI's swift and thorough investigation, provided the foundation to bring a misguided junior investment advisor to justice," Acting U.S. Attorney Carlie Christensen said today.

James S. McTighe, Special Agent in Charge of the FBI in Salt Lake City, said, "For a public employee to attempt to negotiate this type of secret deal for personal gain is not only a violation of federal law; it's a violation of the public's trust. This case is an example of why public corruption is the FBI's top criminal priority. Such illegal activity strikes at the heart of fair competition in the public sector. A public employee who promises contracts or business in exchange for a personal payout will find themselves in trouble with the FBI."

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(Editor's note: Cox waived indictment and was charged by Felony Information.)